

**ANALYSIS OF THE SYSTEMS  
SERVICES BUSINESS OF  
KEY COMPETITORS**

**INPUT**



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**ANALYSIS OF THE SYSTEMS  
SERVICES BUSINESS OF  
KEY COMPETITORS**

**Prepared for:**

**NCR Corporation**

**October 23, 1986**

**by**

**C. Michael Dishman, Vice President**

**INPUT**

Z-NCR  
1986  
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AUTHOR

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TITLE ANALYSIS OF THE SYSTEMS SERVICES  
BUSINESS OF KEY COMPETITORS

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BORROWER'S NAME



## **OBJECTIVE**

- **Provide Systems Services Task Force (S.S.T.F.) with Information on Major NCR Competitors**





## **SCOPE**

- **Detailed Analysis of the S.S. Business for:**
  - **IBM**
  - **DEC**
  - **Nixdorf**
  - **Cap Gemini Sogeti**
  
- **Based on:**
  - **INPUT Proposal (August 25, 1986)**
  - **Acceptance Letter**
  - **Telephone Conversations**





# SCOPE

## ● INPUT Proposal

- Organization, Structure, Resource Level
- P&L Responsibility
- Nature of S.S. Activities
- Background and Rationale
- Sources of Hardware Sales
- Sources of Application Software
- Measurement Systems
- Strategies, Tactics, Directions

## ● Letter of Acceptance

- Internal Relationships of Sales and Support
- Target Market Places
- How and Why Organized

## ● Telephone Conversations

- Sales/Support Ratio
- Sales Quotas
- Compensation Plans for S.S. Activities
- Profit/Cost/Revenue and Expense Basis for S.S. Activities



# **SCOPE**

- **Project Emphases**

- **Strategic Directions of Competitors**
- **Branch-level Organization**
- **Sales/Support Practices**



# METHODOLOGY

- Understand NCR S.S.T.F. Needs
- Questionnaire
  - Content
  - Flow
- Competitors' Branches:
  - Size
  - Location
- "Appropriate" Respondents
  - Branch Managers
  - S.S. Marketing Managers
  - Ex-employees
  - Users
- Number of Interviews
  - IBM: 4
  - DEC: 4
  - Nixdorf: 8
  - Cap Gemini: 5



## SUMMARY OF FINDINGS

### Company: IBM

- Mechanisms in Place which Integrate Systems Services with Sales Activity
- S.S. Must Play Larger Role
- Account Control and Customer Satisfaction
- IBM Has Not Delivered Needed Technologies/ Products; Opportunities for DEC
- Marketing, Marketing, Marketing





## SUMMARY OF FINDINGS

### Company: DEC

- Emulating IBM in:
  - Product Line Breadth
  - Solution Selling
  - One Call Service
- S.S. Necessary for Complete Product/Service Offerings
- Growing Importance of Commercial Application Software
- Customer Confidence through Delivered Solutions



## **SUMMARY OF FINDINGS**

### **Company: Nixdorf**

- **U.S. Operation Has Consistently Lost Money**
- **S.S. Used in Large Projects**
- **Company Fundamentally Emphasizes Sales of Hardware and Systems Software**
- **Competitive Mainly in Retail, Banking, State and Local Governments**
- **Centralized Marketing (W. Germany); Moves Slowly for U.S. Market**



## SUMMARY OF FINDINGS

### Company: Cap Gemini

- **Business: Solutions, Not Just Services**
  
- **Signing Complementary Marketing Agreements**
  - Hardware
  - Software
  
- **Problem: Turnover**

**Possible Solution:      Broaden Scope of  
Business**





## **SUMMARY BY TOPIC**

- **Corporate Organization**
- **Branch Organization and Staffing**
- **Functional Responsibility (Profit/Revenue/Cost)**
- **Systems Services**
- **Sources of Hardware Sales**
- **Trends in Application Software Acquisition**
- **Measurement Systems**
  - **Branch Manager**
  - **Sales Rep.**
- **Sales Approaches**
- **Target Markets**
- **Recent Competitors' Actions**



## **CORPORATE ORGANIZATION**

- **Separate Sales, Field Service , and Support Services Organizations**
- **All 4 Companies' Organizations Headed by Vice President**



## **BRANCH ORGANIZATION**

- **Branch Managers Must Coordinate Sales, Software, Field Service, Contracts, and Educational Services**
- **Emphasis: "One-call Service/One-stop Shopping for Customer"**
- **Separate Support Services Managers**



# BRANCH-LEVEL STAFF RATIOS

- Percent of "Large Branch"\* Total Staff

<b>Category \ Company</b>	<b>IBM</b>	<b>DEC</b>	<b>Nixdorf</b>	<b>Cap Gemini</b>
<b>Managers</b>	<b>15%</b>	<b>12%</b>	<b>8%</b>	<b>15%</b>
<b>Sales Reps.</b>	<b>17%</b>	<b>18%</b>	<b>32%</b>	<b>6%</b>
<b>Administration/ Support</b>	<b>13%</b>	<b>11%</b>	<b>14%</b>	<b>15%</b>
<b>Field Engineers</b>	<b>39%</b>	<b>42%</b>	<b>27%</b>	<b>-</b>
<b>Software Specialists</b>	<b>12%</b>	<b>15%</b>	<b>14%</b>	<b>74%</b>
<b>Education and Training</b>	<b>4%</b>	<b>2%</b>	<b>5%</b>	<b>-</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Minimum Employees for a "Large Branch":

- IBM: 200
- DEC: 100
- Nixdorf: 30
- Cap Gemini: 74





## **P&L RESPONSIBILITY BY FUNCTION**

### **All 3 Systems Vendors**

- **Use "Revenue and Expense Targets" at Branch Level**
- **"Revenue and Expense" Does Not Equal "Profit Center"**

### **Cap Gemini**

- **Each Branch Is a "Profit Center"**



## **PROFIT/REVENUE RESPONSIBILITY**

- **IBM/DEC/Nixdorf**

- **Branch-level "Revenue/Expense" Targets**
- **Full Range of S.S. Services**
- **Performance Improvement**
  - . **IBM: Part of Sales**
  - . **DEC/Nixdorf: Part of FE**
- **Configuration Management**
  - . **IBM/DEC: Part of Sales**
  - . **Nixdorf: Part of FE**

- **Cap Gemini**

- **Branch-level Profit Center**



## DETAILED P&L RESPONSIBILITY BY FUNCTION

<b>Activity \ Company</b>	<b>IBM</b>	<b>DEC</b>	<b>Nixdorf</b>	<b>Cap Gemini</b>
<b>Hardware Sales</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>-</b>
<b>Software Sales</b>	<b>Part of HW Sales</b>	<b>Part of HW Sales</b>	<b>Part of HW Sales</b>	<b>-</b>
<b>Field Engineer</b>	<b>R</b>	<b>R</b>	<b>C</b>	<b>-</b>
<b>Consulting/ Contract Programming</b>	<b>R</b>	<b>R</b>	<b>C</b>	<b>B</b>
<b>Education/ Training</b>	<b>R</b>	<b>R</b>	<b>Part of Sales</b>	<b>-</b>
<b>Pubs/Supplies</b>	<b>Part of FE</b>	<b>C</b>	<b>C</b>	<b>-</b>
<b>System Performance Improvement</b>	<b>Part of Sales</b>	<b>Part of FE</b>	<b>Part of FE</b>	<b>-</b>
<b>Processing Services</b>	<b>R (Limited)</b>	<b>D (New York)</b>	<b>Part of Sales</b>	<b>-</b>
<b>Configuration Management</b>	<b>Part of Sales</b>	<b>Part of Sales</b>	<b>Part of FE</b>	<b>-</b>

**Legend:**    **B** = Branch Profit/Revenue Center  
                   **R** = Branch Revenue Center  
                   **C** = Company/HQ. Profit/Revenue Center  
                   **D** = District Profit/Revenue Center





## **SYSTEMS SERVICES OFFERED**

- **IBM/DEC/Nixdorf:**

- **Software (Systems and Applications)**
- **Consulting Services**
- **Configuration Management**
- **Systems Software Maintenance**
- **Software Conversion**
- **Application Software Support**
- **Education and Training**
- **Supplies/Publications**
- **Processing Services**

- **Cap Gemini**

- **Contract Programming**
- **(Software) Consulting**
- **Software Conversion**
- **Software Maintenance**
- **Education and Training**



## **SOURCES OF HARDWARE SALES**

- **Direct Sales:**
  - IBM: 90%
  - Nixdorf: 80%
  - DEC: 67%
- **Cooperative Marketing Agreements  
Represent Less than 5% of Vendor  
Hardware Sales**



## SOURCES OF HARDWARE SALES

Source	IBM	DEC	Nixdorf
Direct	80%	67%	90%
3rd Party	15%	30%	10%
Cooperative Marketing Agreements	5%	3%	-
Total	100%	100%	100%



## SOURCES OF APPLICATION SOFTWARE

<b>Company Source</b>	<b>IBM</b>	<b>DEC</b>	<b>Nixdorf</b>
<b>3rd Party Vendors</b>	<b>85%</b>	<b>90%</b>	<b>90%</b>
<b>Internally Developed</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>





# TRENDS IN APPLICATION SOFTWARE ACQUISITION

## IBM

- Likely to Acquire Software Marketing Rights and "IBM" Brand-name Rights
- Emphasis: Commercial Applications

## DEC

- Past Emphasis: Scientific/Technical Applications
- Current Emphasis: Commercial Applications
- Vertical Market Oriented
- "Fill Holes"

## Nixdorf

- Necessary for "Solution Selling"
- Use IBM Application Software Vendor Directory



## BRANCH MANAGER MEASUREMENT SYSTEMS

<b>Company</b> <b>Category</b>	<b>IBM</b>	<b>DEC</b>	<b>Nixdorf</b>	<b>Cap Gemini</b>
<b>Product Sales</b>	<b>X</b>			
<b>Expenses</b>		<b>X</b>		
<b>Product Install</b>	<b>X</b>			
<b>Revenue Quota</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Headcount</b>			<b>X</b>	<b>X</b>
<b>Developing Sales Reps</b>		<b>X</b>		
<b>Profits</b>			<b>X</b>	<b>X</b>



## SALES REPRESENTATIVES MEASUREMENT SYSTEMS

<b>Company Category</b>	<b>IBM</b>	<b>DEC</b>	<b>Nixdorf</b>	<b>Cap Gemini</b>
<b>Annual \$ Sales Quota</b>	<b>X</b>	<b>X</b>		<b>X</b>
<b>Quarterly \$ Sales Quota</b>			<b>X</b>	
<b>Sales Quota by Product</b>	<b>X</b>			
<b>Product Install Quota</b>	<b>X</b>			
<b>"Customer Satisfaction" (Survey)</b>	<b>X</b>	<b>X</b>		<b>X</b>
<b>"Other" Objectives</b>	<b>X</b>			
<b>Territory Maintenance</b>		<b>X</b>		



## SALES REP. COMPENSATION

Company Category	IBM	DEC	Nixdorf	Cap Gemini
Salary	+	++	++	A
Benefits	++	+	+	A
Commission Structure	++	N/A	+	A
Awards	++	+	A	A

Legend:    A = Average

              + = Better than Average

              ++ = Much Better than Average

              N/A = Not Applicable





## SALES APPROACHES USED

Company Category	IBM	DEC	Nixdorf	Cap Gemini
"Consultative"	Yes	Yes	No	Yes
Are "Account Teams" Used?	Yes	Yes	Yes	No



## TARGET MARKETS

Company Category	IBM	DEC	Nixdorf	Cap Gemini
Fortune 1000 Commercial	X	X	X	X
Medium-sized Businesses	X	X	X	
Small Businesses	X	X		
Scientific/ Technical Market		X		
Federal Government	X	X		
State and Local Government	X	X	X	



# COMPETITORS' ACTIONS

Company Area	IBM	DEC	Nixdorf	Cap Gemini
Commercial System Integration	New FSD Responsibility			
Joint Marketing Agreements Signed	Cap Gemini	Commercial Application Software Vendors		IBM
Potential Joint Marketing Agreements				MSA ADR
New Products	3090 with Vector Processor  DB2		Expanded 8850 Product Line	



## **OUTLINE: STRATEGIC ISSUES**

- **Role of S.S.**
- **Strategy; Tactics; Direction**
- **Strengths and Weaknesses**





## **STRATEGIC ROLE OF S.S.**

### **IBM**

- **Company Statement: "Software Will Represent 50% of Corporate Revenues by 1995."**
- **INPUT Version: "Non-hardware Sales Will Represent 50% of Corporate Revenues by 1995."**
- **Crucial to Maintaining Growth Rates, Profit Margins, and Account Control**
- **Telecommunications = Tremendous Opportunity**
- **"Solution Selling" Approach**
- **Build Long-term Customer Relationship**
- **S.S. Activities Support Primary Marketing Rep's Sales Activity**



## STRATEGIC ROLE OF S.S.

### DEC

- **S.S. Necessary to Become Full-line Supplier of Products and Services**
- **Goal: "One Call Does It All."**



## STRATEGIC ROLE OF S.S.

### Nixdorf

- S.S. Used in Larger Projects (Ward's and Black Angus P-O-S Systems)
- Emphasis: Hardware and Systems Software
- S.S. Activities Balance Loss of Revenue from Aging Data Entry Systems
- S.S. Sales Support Sales of Hardware
- Integral Part of Customer Care
- Branch Manager Balances S.S., Sales, and Budget



## **STRATEGIC ROLE OF S.S.**

### **Cap Gemini**

- **Sells Services; No Hardware**
- **S.S. = Extension of Existing Products**
- **Experienced in System Integration, Telecommunications, Software Development and Conversion Projects**
- **Fortune 1000 Customer Base = Largest Purchasers of Services**
- **S.S. Is Separate Product**
- **Technical Managers' Expertise Utilized in S.S. Projects**





# IBM

## Strategy

- Account Control
- Add: Laboratory and Factory Floor
- Control Data/Voice Network

## Tactics

- Software
  - Joint Marketing/Branding Agreements
  - "Bridge" Products
- Hardware:
  - Controlled Price/Performance of Newest Products

## Direction

- Less Dependence on Hardware Sales
- More Services
- Opportunities: Software; Commercial Systems Integration; Telecommunications



# DEC

## Strategy

- Penetrate Commercial Markets
- Become Full-service, Solutions-selling Organization
- Co-exist with IBM

## Tactics

- Combined Sales Organization (Hardware and Systems Services)
- Hire Additional Sales Reps (3,000?)
- Pay Bonuses to Sales Reps for New Business and Top Production
- Acquire Software for Commercial Markets
- Implement IBM Communication Standards
- Establish 17 Software "Application Centers"

## Direction

- From "Engineering-driven" to "Marketing-driven"
- Less Dependence on Hardware Sales
- More Services (SI; Consulting; Conversion)



# NIXDORF

## Strategy

- Move Away from Data Entry Systems
- Build on Strengths (Retail; Banking; State and Local Governments)

## Tactics

- Bid Large Projects
- Leverage IBM-compatible Hardware
- Use Europe-based Technical Expertise to Augment U.S. Staff

## Direction

- Moving Slowly toward Full Range of Systems Services



# **CAP GEMINI**

## **Strategy**

- **Business: Solutions, Not Just Services**
- **Broaden Scope beyond Successful Contract Programming**
- **Offer Additional Services**
- **Maintain Focus: Fortune 1000 and Largest Services Firms**

## **Tactics**

- **Control Number of Simultaneous SI Projects**
- **Use "Matrix" Organization**
- **Hire Experienced Programmmers**
- **Sign Complementary Marketing Agreements with Hardware Vendors**

## **Directions**

- **Build Technical Expertise/Keep "Experts"**
- **Extend Current Services Business**
- **Sign Complementary Marketing Agreements with Software Firms (MSA and ADR)**





# IBM

## Strengths

- Marketing, Marketing, Marketing
- Flexibility
- Introspection and Market Intelligence  
Lead to Necessary Changes

## Weaknesses

- Has Not Delivered Networking Solutions
- Unclear Operating System/Hardware  
Growth Path
- Confused Customers Don't Buy



# DEC

## Strengths

- Clear Growth Path (VAX)
- Implemented Networking Solutions
- Implemented IBM Connectivity
- Complete Product Line
- Learning Marketing and Solution Selling

## Weaknesses

- Administrative Practices
- Frequent Reorganizations
- Lack of Commercial Application Software



# NIXDORF

## Strengths

- Well-engineered Products
- Customer Oriented (Europe)
- "Country Manager" System

## Weaknesses

- No Long-term U.S. Marketing/Sales Strategy
- Has Not Consistently Delivered Technology-based Solutions
- Centralized Marketing (W. Germany)
- No "Sizzle"
- Moves Too Slowly for U.S. Data Processing Market



# CAP GEMINI

## Strengths

- Focus: Software and Services
- Decentralized
- Heavy Repeat Business
- Matrix Management

## Weaknesses

- A "One Service" Company
- Turnover of Contract Programmers





## **SUMMARY**

- **Systems Services Viewed as Necessary for:**
  - **"Solution Selling" in Commercial Market**
  - **Complete Customer Service**
  - **Continued Vendor Growth**
- **Systems Services Sold With Hardware Products; Viewed as Account Control Mechanism**



## **S.S.T.F. AND INPUT**

- **Competitors**

- **Burroughs/Sperry**
- **Tandem**
- **Wang**
- **EDS**
- **BCS**

- **Products**

- **Turnkey Systems**
- **Value-added Networks**

- **Information**

- **Training Process**
- **Vertical Market Evaluations**
- **Joint Venture; Partnership**
- **Acquisitions**





